

Chapter 6

“The On Demand Business Value Proposition”

- Tremendous value is to be captured for those companies that have the drive to adapt.
- On Demand Business allows adaptive businesses to create and capture value through innovation, making better use of resources, and increasing the security and resiliency of their organizations.
- **Innovating the Business to Differentiate and Capture New Value**
 - Businesses must differentiate themselves or become commoditized.
 - Cost reduction and productivity gains lead to sustained margins and shareholder value.
 - Growth can only be achieved through differentiation and competitive advantage.
 - The on demand era is different due to the fact that companies are focusing their resources on driving breakthroughs rather than reducing the cost of back-office operations.
 - On Demand Business has the power to do more than just improve efficiency – it can make the transition from continuous improvement to continuous innovation.
 - Optimizing the Value Net
 - Since supply was built to meet demand that no longer existed, companies started to struggle with latency.
 - Companies that employ On Demand Business differentiate their supply chains by detecting capacity and supply constraints, assessing impacts of potential decisions, and making changes quickly.
 - Partners are added or deleted on a global basis, as demand changes, and with minimal costs or risk to business continuity.
 - When a required change is detected, it is easily communicated to the partner network due to On Demand Business collaboration processes, information flow, and integrated management systems.
 - A company can flex its extended supply chain by working effectively with partners and leveraging On Demand Business technologies. This allows a company to vary capacity, address supply chain disturbances, exploit cost advantages, and adjust to new build requirements simultaneously.
 - A company can accomplish all this by working with a network of partners as one virtual factory and achieving true differentiation.
 - Increasing Business Flexibility
 - All companies try to match expenses to revenue – a fundamental and ongoing struggle.
 - On average, it takes a company two to three quarters to adjust expense ratios given a change in revenue.

- On Demand Business allows companies to build variable cost structures which help them to adjust costs to revenue within a quarter. This is beneficial to publicly traded companies since it allows them to meet financial goals even when revenue declines.
- On demand technologies allow key executives to have instant visibility into performance indicators for all aspects of the business anywhere in the world.
- Companies that implement On Demand Business exhibit the following best practices (which increases their business flexibility):
 1. Outsource non-core business components (ex. Production, distribution, etc.)
 2. Implement a transparent demand/supply chain
 3. Share risk and reward with supplier, subcontractors, and partners
 4. Understand and mitigate emerging risks of operating in an ecosystem
 5. Pursue risk and reward arrangements with vendors

○ Improving the Client Experience

- Companies that have been trying to become more client focused are responding more effectively to client wants, needs, and demands.
- On Demand Business companies strive to shape demand.
- Leading companies manage client relationships rapidly, seamlessly, and with trust.
- Employees that interact with clients have an integrated view of the clients' wants, need, and behaviors across transactions and channels. This allows real time responsiveness to client needs.
- Companies implementing On Demand Business work to move the right person, at the right time, at the right place, to better serve clients and to achieve minimal hand-offs.

○ Extracting Greater Value From Data

- It is critical that the "right" data be made available anytime, anywhere, and from anyone to make all of the differentiating activities work.
- There is a danger in protecting company's data assets from those that need them for legitimate business purposes.
- Key factors to enable agile business decision making are addressing ease of access, breadth of relevant results, and "usability of results" issues.
- On Demand Business environments require access to multiple types of data wherever and whenever needed.
- Businesses that have the ability to analyze large volumes of structured and unstructured data can better anticipate market and consumer shifts and enjoy leadership (according to other key metrics – client satisfaction, etc.).
- Companies can create value by managing and making accessible enterprise knowledge that goes beyond transactional or client data.

- Value can come from any material that can be referenced or reused (ex. documents, presentations, etc.) and non-traditional data that companies have at their disposal (ex. voice monitoring technologies).
- Driving Business Innovation
 - Time to market is a challenge facing top businesses.
 - To be late to a new market or with a new product can result in lost market share, substantial competitive disadvantage, and the inability to set standards.
 - Organizations that employ On Demand Business are first to profitable markets by:
 1. Allowing the integration of design activities with the R&D activities of internal and external clients
 2. Enabling rapid identification of a market opportunity
 3. Providing enhanced decision making ability
 4. Virtualizing the design infrastructure to minimize capital costs
 5. Allowing efficient use of resources across a distributed design team
- Making Better Use of Resources to be More Productive
 - On Demand Business promises to deliver immense productivity gains to companies that embrace the possibility.
 - Optimizing Today's IT Investments
 - Companies apply On Demand Business concepts in the IT area first to make better use of IT resources.
 - Companies can lower the cost of integrating and running their IT operations without giving up functionality or availability by adapting open, autonomic, virtualized, and integrated technologies.
 - By leveraging outside specialists to manage IT assets, companies can pay for only those resources that they use (can be adjusted with changes in revenue).
 - Business process integration is a major theme of the IT services industry.
 - In the on demand era, operations are becoming touchless and simultaneous across different facilities and with trading partners – due to the fact that companies and their partners are now willing to work closely to make connectivity and data accessibility protected, private, and secure.
 - Companies with On Demand Business deploy infrastructures that:
 1. Sense changes in capacity and self correct
 2. Can support security and transparency
 3. Access across partners, clients, and geographies
 - Due to the lower cost of operating resources, companies can devote the majority of their IT budgets to creating new capabilities (rather than on maintenance).

○ Improving Employee Productivity

- On Demand companies look to outsource non-differentiating components of their businesses. This allows them to focus their human capital on true value adding activities.
- On Demand companies use technology to simplify employee access to content, applications, people, and processes.
- Companies that have a high level of On Demand Business maturity have:
 1. A revenue-per-employee ratio that is higher than the industry average
 2. A high level of pay
 3. Low employee turnover
- In On Demand Business, organization flexibility increases so that departments, levels, and reporting structures matter less and skills, projects, and relationships matter more.
- Companies can match work to employees and vice versa and employees have visibility to their performance in real time.

○ Streamlining Processes

- One of the first steps to becoming an On Demand Business is to evaluate which of the process areas are truly differentiating and which need to be done efficiently.
 - Those that are non-differentiating (ex. IT, finance, etc.) should be outsourced or managed by external specialists. This will guarantee productivity gains and also will change fixed costs to variable costs.
- Streamlining processes are about optimizing operations for cost and quality (often on a global basis) and not just about performing the same functions with fewer steps.

● **Increasing Security and Resiliency**

- Business contingency is a threat and an opportunity for companies
- Infrastructure providers are finding big business in contingency planning services due to these factors:
 1. Geopolitical instability threatens operational performance of globally integrated firms.
 2. Natural disasters continue to create economic turmoil.
 3. Computer viruses and other virtual dangers threaten client and employee security and privacy.
 4. Labor unrest erupts within sensitive industries and spreads to other economic sectors.
 5. Demographic shifts will cause expected and unexpected changes in the business climate.
- On Demand Business technologies and concepts reduce the impact of catastrophic change and support long-term survival by building redundancy

and the appropriate level of security throughout the business model. This leads to:

1. Reduction of exposure to unforeseen shocks
2. Preparation for potential changes and threats
3. Implementations that are anticipatory of future disruptive events

And these drive risks from the business and create value for the company.

- **Facilitating and Enhancing Business Control Compliance Requirements**
 - CFO's manage the quality and risk inherent in enterprise resource allocation and value creation strategies. They manage the volatility of the firm's value net and report the results accurately and honestly.
 - CFO's of On Demand Business companies are better prepared to address these issues due to:
 1. Consistent, integrated sources of data
 2. Rules-driven processing and reporting
 3. Integrity in financial and performance metrics